

**REPORT OF THE AUDIT OF THE  
PULASKI COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

The fiscal court had net assets of \$71,526,372 as of June 30, 2004, which included unrestricted net assets in its governmental funds of \$7,425,481. The enterprise fund had total net cash and cash equivalents of \$84,839 with total net assets of \$117,355. The fiscal court had total debt principal as of June 30, 2004 of \$7,477,603 with \$1,011,567 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
PULASKI COUNTY OFFICIALS .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	15
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	18
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	31
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	43
NOTES TO FINANCIAL STATEMENTS.....	46
BUDGETARY COMPARISON SCHEDULES .....	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	70
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	72
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	76
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	81
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	85
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	88
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	91
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	95
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Darrell BeShears, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Pulaski County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Darrell BeShears, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining non-major fund financial statements and the schedule of expenditures for federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2005, on our consideration of Pulaski County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 12, 2005



PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

Darrell BeShears	County Judge/Executive
Kenneth Isaacs	Magistrate
Darrell Wilson	Magistrate
Howard Hansford	Magistrate
James Cothran	Magistrate
James Girdler	Magistrate
Mike New	Magistrate
Ralph Troxtell	Magistrate

**Other Elected Officials:**

William Thompson	County Attorney
Mike Harris	Jailer
Trudy Denham	County Clerk
George Flynn	Circuit Court Clerk
Todd Wood	Sheriff
T.W. Todd	Property Valuation Administrator
Richard New	Coroner

**Appointed Personnel:**

Arlene Phelps	County Treasurer
Lorie Hines	Occupational Tax Collector
Ethel VanHook	Finance Officer



# Pulaski County Fiscal Court

Darrell Beshears, County Judge Executive  
Kenneth Isaacs, District 1  
Darrell Wilson, District 2  
Howard Hansford, District 3

P.O. Box 712  
Somerset, KY 42502  
606-678-4853  
1-800-247-2510

James Cothran, District 4  
James Girdler, District 5  
Mike New, District 6  
Ralph Troxell, District 7

## Management's Discussion and Analysis June 30, 2004

The financial management of Pulaski County, Kentucky offers readers of Pulaski County's financial statements this narrative overview and analysis of the financial activities of Pulaski County for the fiscal year ended June 30, 2004.

### Financial Highlights

- Pulaski County had net assets of \$ 71,526,372 as of June 30, 2004. The fiscal court had unrestricted net assets of \$7,425,481 in its governmental funds as of June 30, 2004. In its enterprise fund, cash and cash equivalents were \$84,839 with total assets of \$117,355. Total debt for Pulaski County Fiscal Court as of June 30, 2004 was \$ 7,477,603 with \$ 1,011,567 due within one year.
- The government's statement of activities shows a decrease in the beginning balance of \$190,864,873 from the prior year. This decrease is due to a change in the GASB 34 valuation of infrastructure and other tangible assets. Many assets held by the County have been deemed donated (roads and some fire apparatus) and cannot be shown to have a value under the modified cash basis of accounting as they were in FY2003. This change is described in detail in Note 12.
- At the close of the current fiscal year, Pulaski County governmental funds reported cash and cash equivalents of \$7,115,076. Of this amount, \$7,049,348 is available for spending at the government's discretion with encumbrances of \$65,728.
- Pulaski County's total indebtedness at the close of fiscal year June 30, 2004 was \$7,477,603 of which \$6,466,036 is noncurrent debt (due after 1 year) and \$1,011,567 is current debt (to be paid within 1 year). Debt additions were \$5,499,999 and debt reductions were \$849,938 for a net increase of \$4,650,061 during the year. Debt additions include a \$5,000,000 road resurfacing project and \$499,999 for a Fire Training Tower.
- In addition, Pulaski County contributed \$364,549 to the construction of the Hal Rogers Fire Training Center, bought 4 new Fire trucks and 2 Pickups for \$580,000 and built 4 Fire sub-stations for \$256,044, did \$2,541,985 of Road repair and reconstruction, spent \$366,000 on buildings and land acquisition and \$798,647 to repair and refurbish those buildings for Industrial Development during the year with out incurring any further debt.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Pulaski County's basic financial statements. Pulaski County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Pulaski County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Pulaski County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pulaski County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Pulaski County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Government-wide Financial Statements. (Continued)**

The government-wide financial statements include not only Pulaski County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Pulaski County has one such entity, the Public Properties Detention Center Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pulaski County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Pulaski County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Pulaski County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Fire Fund, and Industrial Development Fund, all of which are considered major funds by the County. Local Government Economic Assistance Fund, 911 Fund, Economic Development Fund, Sheriff Vehicle Fund, Grant Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Pulaski County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

	<b>Governmental Activities</b>			
	2003	2004	Difference	% Changes
<b>Assets</b>				
Current and Other Assets	\$ 4,133,064	\$ 7,425,481	\$ 3,292,417	80%
Capital Assets	264,381,091	71,461,139	(192,919,952)	-73%
Total Assets	268,514,155	78,886,620	(189,627,535)	-71%
<b>Liabilities</b>				
Current and Other Liabilities	756,928	1,011,567	254,639	34%
Noncurrent Liabilities	2,070,614	6,466,036	4,395,422	212%
Total Liabilities	2,827,542	7,477,603	4,650,061	164%
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	261,553,549	63,983,536	(197,570,013)	-76%
Unrestricted	4,133,064	7,425,481	3,292,417	80%
Total Net Assets	\$ 265,686,613	\$ 71,409,017	\$ (194,277,596)	-73%

**Changes in Net Assets.**

*Governmental Activities.* Pulaski County's net assets decreased by \$194,260,843 in fiscal year 2004. Key elements of this are as follows:

- Infrastructure and tangible assets decreased by \$191,598,580 because infrastructure such as roads was deemed to be donated and was not allowed to be listed as an asset as they were previously.
- Investment in capital assets, net of related debt decreased \$5,879,395 due to depreciation expense.
- Current and noncurrent liabilities increased by \$4,650,061.

*Business-type Activities.* Pulaski County's net assets increase by \$16,753 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased by \$21,442.
- Investment in capital and infrastructure net of related debt decreased \$4,689.

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Pulaski County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Pulaski County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 2004 fiscal year, the combined ending fund balance of County governmental funds was \$7,425,481. Approximately 32% (\$2,402,965) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance of 5,022,516 is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances, KACO expenditures, grant expenditures, bond payments, and police memorial fund.

The County has five (5) major governmental funds. These are 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) Fire Fund, and 5) Industrial Development Fund. There are seven (7) non-major funds. They are the 911 Fund, Economic Development Fund, Local Government Economic Assistance Fund, Sheriff's Vehicle Fund, Hazardous Material Fund, Grant Fund, and Detention Center Corporation Bond Fund.

1. The General Fund is the chief operating fund of Pulaski County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$296,818, while total fund balance was \$307,508. The county received \$6,617,572 in Occupational tax revenues. Of this amount the General fund received \$3,132,251. This accounts for approximately 46% of the general fund revenue. \$2,124,501 was received from real and personal property taxes and accounts for approximately 31% of the county's general fund revenues. \$1,058,347 is derived from various fees and charges for services. This amounts to 16%. Various other miscellaneous sources make up the remaining 7% of revenues. Pulaski County distributes 30% of the net Occupation Tax revenues to the 5 incorporated cities within the county.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had \$4,554,133 in fund balance at June 30, 2004. The fiscal year 2004 expenditures for road projects were almost \$4.8 million. Total revenue for the Road Fund was \$4,134,456.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$395,681, of which \$289,512 was unreserved. That is an increase in fund balance of \$34,154 over the previous fiscal year end. The Jail Fund budget was \$2,461,871. 58% of its revenue is for housing prisoners. The County also began allocating 8.75% of its occupational tax for the operation of the jail and \$599,270 (or 27% of revenue) was derived from the Occupational Tax. Booking fees increased from \$95,882 to \$114,070 of income. As a result of these changes, the General Fund only contributed \$5,000 to the Jail Fund this fiscal year as opposed to \$162,050 the previous fiscal year.

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

4. The Local Government Economic Assistance Fund had a fund balance of \$150,094, an increase of \$39,418 over the previous fiscal year end.
5. The Grant Fund is used to account for federal monies received. The county received \$1,455,075 in grants for various ongoing projects. The County match for those funds was 229,817, with another \$105,944 held over from the previous fiscal year. In total, \$1,790,836 was expended for various projects.
6. The Fire Fund supports 17 Fire departments, Rescue Squad and Hazardous Material team from revenue derived from collection of a 5.5% insurance premium tax. Collections for 2004 were \$1,890,391, and increase of \$192,942 from the previous year. The year-end balance of the Fire Fund was \$819,848, an increase from the previous year of \$254,073. However, the County built an additional four (4) new substations at a cost of \$256,000, bought three (3) Class A pumpers at a cost of \$402,789, and \$191,000 for seven (7) smaller trucks and equipment all without incurring any additional debt.
7. The Industrial Development Fund is restricted to the recruitment of new companies and jobs to the county. It is supported by 20% of the net Occupational Tax revenues. \$821,252 was received from those funds. The year-end balance of this fund was \$492,722, a decrease of \$1,110,184 from the previous year. \$300,000 of this decrease was paid as an incentive to a new industrial client, \$150,000 was for land and \$520,000 was used to refurbish the Palm Beach building and Tecumseh buildings for industrial clients.
8. The 911 Dispatch Fund accounts for the operation of the County's emergency operations communications. The Fund had a fund balance of \$102,619 at the end of the June 30, 2004 fiscal year. It is supported by 13% of gross Occupational Tax Collections. Tax Revenue for 2004 was \$864,333.
9. The Economic Development Fund is comprised of recaptured grant funds and had a fund balance of \$374,987 (of which \$310,405 are notes receivable), a decrease of \$255,131. Those funds were used to refurbish two existing buildings owned by the county for the use of new industries relocating to Pulaski County.
10. The Sheriff's Vehicle fund derives its revenues from mileage paid to the County by the Sheriff's Department and is used to provide and maintain cruisers for the Sheriff's department. It had a fund balance of \$41,251 at June 30, 2004.
11. The Hazardous Material Fund is used as a pass through account for Federal Homeland Security funds. Pulaski County is the host county for the surrounding 10 counties. They are Wayne, Mercer, Boyle, Lincoln, Casey, Adair, Russell, Cumberland and Clinton. Pulaski County receives the funds then, working with a board made up of representatives of the other counties, purchases and distributes equipment around the area according to a master plan.



**Pulaski County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

12. The Public Properties Detention Center Corporation Fund does not maintain a fund balance. Its activities are restricted to debt reduction on the Detention Center Bond and payments are accounted for in the Detention Center General Fund. Outstanding debt on the Detention Center is \$675,000 and that debt will be retired in 2009.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Pulaski County has one (1) enterprise-type proprietary fund, the Jail Canteen Fund. The Jail Canteen Fund's unrestricted net assets at the end of the June 30, 2004 fiscal year amounted to \$84,839 and total assets were \$117,355.

**General Fund Budgetary Highlights.**

The County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$616,000. Budget amendments were made to all areas due borrowed money, grants, surplus cash carried forward and an increase in actual Occupational Tax collections as opposed to projected collections.

Actual revenues were \$148,906 less than budgeted by the Fiscal Court. Expenditures were \$3,445,683 less than was budgeted.

**Capital Assets and Debt Administration.**

*Capital Assets.* Pulaski County's investment in capital assets for its government and business type activities as of June 30, 2004, amounts to \$71,493,655 (net of accumulated depreciation). This is a decrease of \$194,260,843 from the previous year. \$191,598,580 of this decrease is an adjustment made to infrastructure and other capital assets on the balance sheet. Some Infrastructure and capital assets that was reported last year as an asset has been deemed donated and cannot be shown to have a value on the County's balance sheet. \$5,879,395 of this decrease is normal depreciation. This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2004 fiscal year included the completion of the Hal Rogers Regional Fire Training Center, the purchase of 3 new pumpers, 7 smaller vehicles, building 4 new Fire Department Substations, refurbishing 2 buildings, buying 15 acres of land, and completing \$4.7 million of road resurfacing and repairs.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

**Capital Assets and Debt Administration. (Continued)**

Additional information on the County's capital assets can be found in Note 5 of this report.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2003	2004	2003	2004	2003	2004
Infrastructure Assets	\$ 250,102,360	\$ 54,747,617	\$	\$	\$ 250,102,360	\$ 54,747,617
Land	688,000	787,000			688,000	787,000
Const. in Progress	568,204				568,204	
Bldgs. & Improvmts.	5,653,072	7,994,890			5,653,072	7,994,890
Other Equipment	1,013,596	1,063,260			1,013,596	1,063,260
Vehicles & Equipment	6,355,859	6,868,372	37,205	32,516	6,393,064	6,900,888
Total Net Capital Assets	\$ 264,381,091	\$ 71,461,139	\$ 37,205	\$ 32,516	\$ 264,418,296	\$ 71,493,655

*Long-Term Debt.* At the end of the 2004 fiscal year, Pulaski County had total bonded debt outstanding of \$675,000. This is general obligation bonds providing for debt service requirements from 1989 until 2009. The county has a 10-year lease with the Kentucky Association of Counties to construct two new fire stations. Total outstanding debt for that lease is \$761,219 and will be retired in 2010. The County has also entered into a \$5,000,000 10-year road-resurfacing project through KACO. This will be retired in 2014.

The County has a total of \$1,040,385 in various leases. \$285,679 is on various pieces of road maintenance equipment; \$220,190 is outstanding on 20 cruisers; \$405,516 on fire-training tower construction; and \$129,000 on jail renovation.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information**

This financial report is designed to provide a general overview of Pulaski County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Pulaski County Treasurer, P. O. Box 712 (100 North Main Street), Somerset, KY 42502.

**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Enterprise</b>	
	<b>Activities</b>	<b>Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 7,115,076	\$ 84,839	\$ 7,199,915
Notes Receivable	310,405		310,405
Total Current Assets	<u>7,425,481</u>	<u>84,839</u>	<u>7,510,320</u>
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	787,000		787,000
Buildings	7,994,890		7,994,890
Other Equipment	1,063,260		1,063,260
Vehicles and Equipment	6,868,372	32,516	6,900,888
Infrastructure Assets - Net of Depreciation	<u>54,747,617</u>		<u>54,747,617</u>
Total Noncurrent Assets	<u>71,461,139</u>	<u>32,516</u>	<u>71,493,655</u>
Total Assets	<u>78,886,620</u>	<u>117,355</u>	<u>79,003,975</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	125,000		125,000
Financing Obligations Payable	886,567		886,567
Total Current Liabilities	<u>1,011,567</u>		<u>1,011,567</u>
Noncurrent Liabilities:			
Bonds Payable	550,000		550,000
Financing Obligations Payable	5,916,036		5,916,036
Total Noncurrent Liabilities	<u>6,466,036</u>		<u>6,466,036</u>
Total Liabilities	<u>7,477,603</u>		<u>7,477,603</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	63,983,536	32,516	64,016,052
Unrestricted	<u>7,425,481</u>	<u>84,839</u>	<u>7,510,320</u>
Total Net Assets	<u>\$ 71,409,017</u>	<u>\$ 117,355</u>	<u>\$ 71,526,372</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
General Government	\$ 6,826,537	\$ 253,721	\$ 607,437	\$ 500
Protection to Persons and Property	2,149,408	1,238,846	383,253	1,870,586
General Health and Sanitation	373,786	40,718		
Social Services	91,850			
Recreation and Culture	200,776	56,202		
Roads	6,117,676		2,924,558	
Debt Service	409,638			
Capital Projects	5,586,825			
Total Governmental Activities	<u>21,756,496</u>	<u>1,589,487</u>	<u>3,915,248</u>	<u>1,871,086</u>
Business-type Activities:				
Jail Canteen Fund	231,452	238,330		
Total Business-type Activities	<u>231,452</u>	<u>238,330</u>		
Total	<u>\$ 21,987,948</u>	<u>\$ 1,827,817</u>	<u>\$ 3,915,248</u>	<u>\$ 1,871,086</u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Commission and Royalties

Reimbursements

Miscellaneous Revenues

Court Settlement

Other Receipts

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (5,964,879)	\$	\$ (5,964,879)
1,343,277		1,343,277
(333,068)		(333,068)
(91,850)		(91,850)
(144,574)		(144,574)
(3,193,118)		(3,193,118)
(409,638)		(409,638)
(5,586,825)		(5,586,825)
(14,380,675)		(14,380,675)
	6,878	6,878
	6,878	6,878
(14,380,675)	6,878	(14,373,797)
3,124,142		3,124,142
233,145		233,145
7,381,946		7,381,946
728,053		728,053
112,696		112,696
253,549		253,549
108,749		108,749
1,000		1,000
1,591	8,126	9,717
58,363	1,749	60,112
12,003,234	9,875	12,013,109
(2,377,441)	16,753	(2,360,688)
4,133,066	100,602	4,233,668
\$ 1,755,624	\$ 117,355	\$ 1,872,979

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Fire Fund</u>	<u>Industrial Development Fund</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 307,508	\$ 4,554,133	\$ 395,681	\$ 819,848	\$ 492,722
Notes Receivables					
Total Assets	<u>\$ 307,508</u>	<u>\$ 4,554,133</u>	<u>\$ 395,681</u>	<u>\$ 819,848</u>	<u>\$ 492,722</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 9,189	\$	\$ 52,202	\$ 3,029	\$ 1,196
KACO Expenditures		4,259,284	53,967	455,845	
Police Memorial	1,501				
Grant Expenditures					
Bond Payments					
Unreserved:					
General Fund	296,818				
Special Revenue Funds		294,849	289,512	360,974	491,526
Total Fund Balances	<u>\$ 307,508</u>	<u>\$ 4,554,133</u>	<u>\$ 395,681</u>	<u>\$ 819,848</u>	<u>\$ 492,722</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2004**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 545,184	\$ 7,115,076
310,405	310,405
<u>\$ 855,589</u>	<u>\$ 7,425,481</u>

\$ 112	\$ 65,728
	4,769,096
	1,501
25	25
186,166	186,166
	296,818
<u>669,286</u>	<u>2,106,147</u>
<u>\$ 855,589</u>	<u>\$ 7,425,481</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 7,425,481
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	191,598,581
Depreciation	(120,137,442)
Liabilities:	
Due In More Than One Year - Bonds, Notes, and Other Principal Payments	(6,466,036)
Due Within One Year - Bonds, Notes, and Other Principal Payments	<u>(1,011,567)</u>
Net Assets Of Governmental Activities	<u>\$ 71,409,017</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Fire Fund</b>
<b>REVENUES</b>				
Taxes	\$ 5,016,601	\$ 1,231,878	\$ 599,270	\$ 1,890,391
In Lieu Tax Payments	240,151	33,386		
Excess Fees	728,053			
Licenses and Permits	147,719			
Intergovernmental	405,008	2,796,347	1,350,693	24,697
Charges for Services	182,575		53,296	
Miscellaneous	62,082	63,200	163,565	13,286
Interest	8,035	9,645	2,639	13,917
Total Revenues	<u>6,790,224</u>	<u>4,134,456</u>	<u>2,169,463</u>	<u>1,942,291</u>
<b>EXPENDITURES</b>				
General Government	2,332,951		12,726	38,255
Protection to Persons and Property	881,087		1,432,017	543,134
General Health and Sanitation	279,464			
Social Services				
Recreation and Culture	190,390			
Roads		3,823,249	1,115	
Debt Service	253,618	293,555	35,766	246,984
Capital Projects	58,774	652,287	114,301	952,879
Administration	2,688,563	16,693	393,491	97,225
Total Expenditures	<u>6,684,847</u>	<u>4,785,784</u>	<u>1,989,416</u>	<u>1,878,477</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>105,377</u>	<u>(651,328)</u>	<u>180,047</u>	<u>63,814</u>
<b>Other Financing Sources (Uses)</b>				
Borrowed Money		5,000,000		
Financing Obligation Proceeds				499,999
Transfers from Other Funds	588,000	75,000	5,000	
Transfers to Other Funds	(588,100)		(150,893)	(309,740)
Total Other Financing Sources (Uses)	<u>(100)</u>	<u>5,075,000</u>	<u>(145,893)</u>	<u>190,259</u>
Net Change in Fund Balances	105,277	4,423,672	34,154	254,073
Fund Balances - Beginning (Restated)	202,231	130,461	361,527	565,775
Fund Balances - Ending	<u>\$ 307,508</u>	<u>\$ 4,554,133</u>	<u>\$ 395,681</u>	<u>\$ 819,848</u>

The accompanying notes are an integral part of the financial statements.



**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Industrial Development Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 821,252	\$ 864,333	\$ 10,423,725
		273,537
		728,053
		147,719
	2,360,869	6,937,614
		235,871
16,101	255,903	574,137
16,306	7,856	58,398
<u>853,659</u>	<u>3,488,961</u>	<u>19,379,054</u>
322,295	137,967	2,844,194
	779,826	3,636,064
	46,583	326,047
	91,850	91,850
		190,390
1,717	187,878	4,013,959
	265,133	1,095,056
832,564	2,976,020	5,586,825
287,267	319,013	3,802,252
<u>1,443,843</u>	<u>4,804,270</u>	<u>21,586,637</u>
<u>(590,184)</u>	<u>(1,315,309)</u>	<u>(2,207,583)</u>
		5,000,000
		499,999
500,000	900,733	2,068,733
<u>(1,020,000)</u>		<u>(2,068,733)</u>
<u>(520,000)</u>	<u>900,733</u>	<u>5,499,999</u>
(1,110,184)	(414,576)	3,292,416
1,602,906	1,270,165	4,133,065
<u>\$ 492,722</u>	<u>\$ 855,589</u>	<u>\$ 7,425,481</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ 3,292,416
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	5,444,813
----------------	-----------

Depreciation Expense	(5,879,395)
----------------------	-------------

Disposals of Capital Assets:

Vehicles and Equipment	(17,010)
------------------------	----------

Construction In Progress - Tranferred to Buildings	(568,204)
--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation	(5,499,999)
----------------------	-------------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Payment To Refund Series 1993 Bonds	849,938
-------------------------------------	---------

Change in Net Assets of Governmental Activities	<u><u>\$ (2,377,441)</u></u>
---	------------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2004**





	Enterprise Fund
	Jail Canteen Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 84,839
Total Current Assets	84,839
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	41,894
Less Accumulated depreciation	(9,378)
Total Noncurrent Assets	32,516
Total Assets	117,355
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	32,516
Unrestricted	84,839
Total Net Assets	\$ 117,355

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 238,330
Other Receipts	2,159
Total Operating Revenues	<u>240,489</u>
<b>Operating Expenses</b>	
Cost of Sales	142,954
Educational, Recreational, Personnel Costs	57,497
Depreciation	4,689
Miscellaneous	95
Total Operating Expenses	<u>205,235</u>
Operating Income	<u>35,254</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	1,749
Inmate Pay From State	5,967
Inmate Refunds	<u>(26,217)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,501)</u>
Change In Net Assets	16,753
Total Net Assets - Beginning (Restated)	<u>100,602</u>
Total Net Assets - Ending	<u><u>\$ 117,355</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**





**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 238,330
Cost of Sales	(142,954)
Educational, Recreational, and Personnel Costs	(57,497)
Miscellaneous Receipts	2,159
Miscellaneous Expenses	(95)
Net Cash Provided By Operating Activities	<u>39,943</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	5,967
Inmate Refunds on Accounts	(26,217)
Net Cash Used By Noncapital Financing Activities	<u>(20,250)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>1,749</u>
Net Cash Provided By Investing Activities	<u>1,749</u>
Net Increase in Cash and Cash Equivalents	21,442
Cash and Cash Equivalents - July 1	<u>63,397</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 84,839</u></u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<u>Enterprise Fund</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	<u>Jail Canteen Fund</u>
Operating Income (Loss)	\$ 35,254
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	<u>4,689</u>
Net Cash Provided By Operating Activities	<u><u>\$ 39,943</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	34
NOTE 2.	DEPOSITS .....	40
NOTE 3.	NOTES RECEIVABLE.....	40
NOTE 4.	OPERATING LEASES .....	41
NOTE 5.	CAPITAL ASSETS .....	42
NOTE 6.	LONG-TERM DEBT .....	44
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	49
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM .....	49
NOTE 9.	DEFERRED COMPENSATION .....	50
NOTE 10.	INSURANCE .....	50
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST .....	50
NOTE 12.	SUBSEQUENT EVENTS .....	50
NOTE 13.	PRIOR PERIOD ADJUSTMENTS & CHANGES IN ACCOUNTING PRINCIPLES .....	51

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Pulaski County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Detention Center Corporation Bond Fund.

Additional – Pulaski County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the officials above from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the county and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development (GOLD) requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. GOLD requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. GOLD requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Fire Fund** - These funds may be spent for fire protection and to purchase buildings and fire equipment.

**Industrial Development Fund** - These funds are used to promote economic development in the county. The fiscal court obtained federal grants and used these grants to promote businesses.

The government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, 911 Fund, Economic Development Fund, Sheriff's Vehicle Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

Special Revenue Funds:

The Local Government Economic Assistance Fund, 911 Fund, Economic Development Fund, Sheriff's Vehicle Fund and Hazardous Material Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Detention Center Corporation Bond Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating Expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**D. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-25
Infrastructure	25,000	10-50

**F. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.



**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**I. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court: South Eastern Water District, Pulaski County Extension District Board, and the Pulaski County Solid Waste Board.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the city of Somerset and the Pulaski County Fiscal Court: Somerset-Pulaski Development Foundation, Inc.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component units’ deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county’s agent in the county’s name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Notes Receivable**

A. In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty years at 3 percent interest, with 20 annual payments in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2004, Somerset Food Services was in substantial compliance with the terms of the loan agreement and the principal balance due was \$297,081.

B. On December 15, 1997, Pulaski County passed through Community Development Block Grant funds in the amount of \$99,900 to the Somerset-Pulaski County Development Foundation, Inc., which was loaned to Somerset Recycling. On June 15, 1998, an additional \$61,038 of Community Development Block Grant funds was loaned to Somerset Recycling. The combined loan repayment schedule was for a period of 7 years at 5.641 percent interest, with monthly payments of \$2,403. As of June 30, 2004, Somerset Recycling was in substantial compliance with the terms of the loan agreement and the principal balance due was \$13,324.

Notes receivable, as of year-end for the government's non-major funds, in the aggregate, including the delinquent principal payments are as follows:

Company	Governmental Activities		
	Principal Amount Borrowed	Interest Rate	Principal Due As Of June 30, 2004
Somerset Food Services	\$ 517,532	3%	\$ 297,081
Somerset Recycling	160,938	5.64%	13,324
Totals	<u>\$ 678,470</u>		<u>\$ 310,405</u>

**Note 4. Operating Leases**

The fiscal court entered into various lease agreements for copiers, mailing scales, backhoes, and one vehicle to be used by various county departments. The total expense related to these leases was \$69,410 for the fiscal year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2005	\$ 75,681
2006	49,486
2007	24,452
2008	25,063
2009	2,867
Total Minimum Lease Payments	<u>\$ 177,549</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 688,000	\$ 99,000	\$	\$ 787,000
Construction In Progress	568,204		568,204	
Total Capital Assets Not Being Depreciated	1,256,204	99,000	568,204	787,000
Capital Assets, Being Depreciated:				
Buildings	10,949,500	1,638,000		12,587,500
Other Equipment	1,491,839	162,367		1,654,206
Vehicles and Equipment	9,036,885	768,601	17,010	9,788,476
Infrastructure	164,004,554	2,776,845		166,781,399
Total Capital Assets Being Depreciated	185,482,778	5,345,813	17,010	190,811,581
Less Accumulated Depreciation For:				
Buildings	(4,243,820)	(348,790)		(4,592,610)
Other Equipment	(478,243)	(112,703)		(590,946)
Vehicles and Equipment	(2,468,482)	(451,622)		(2,920,104)
Infrastructure	(107,067,502)	(4,966,280)		(112,033,782)
Total Accumulated Depreciation	(114,258,047)	(5,879,395)		(120,137,442)
Total Capital Assets, Being Depreciated, Net	71,224,731	(533,582)	17,010	70,674,139
Government Activities Capital Assets, Net	\$ 72,480,935	\$ (434,582)	\$ 585,214	\$ 71,461,139

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	41,894			41,894
Total Capital Assets Being Depreciated	41,894			41,894
Less Accumulated Depreciation For:				
Vehicles and Equipment	(4,689)	(4,689)		(9,378)
Total Accumulated Depreciation	(4,689)	(4,689)		(9,378)
Total Capital Assets, Being Depreciated, Net	37,205	(4,689)		32,516
Business-type Activities Capital Assets, Net	\$ 37,205	\$ (4,689)		32,516

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 221,601
Protection to Persons and Property	542,287
General Health and Sanitation	47,739
Social Services	
Recreation and Culture	10,386
Roads, Including Depreciation of General Infrastructure Assets	5,057,382
Total Depreciation Expense - Governmental Activities	\$ 5,879,395
<u>Business-type Activities</u>	
Jail Canteen	\$ 4,689
Total Depreciation Expense - Business Activities	\$ 4,689

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt**

**A. 1996 Revenue Bonds**

On October 1, 1996, the Pulaski County Public Properties Corporation \$1,415,000 of Revenue Bonds for the purpose of defeasing the 1988 Bond Series Issue. The 1988 bonds were originally issued to finance and equip the Pulaski County Detention Center. The bonds require two semiannual interest payments be made on January 1 and July 1 of each year commencing January 1, 1997. One principal payment will be due on July 1 of each year, beginning January 1, 1997. Bonds will mature July 1, 2008. As of June 30, 2004, the principal amount outstanding was \$675,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 125,000	\$ 30,012
2006	130,000	23,765
2007	135,000	17,272
2008	140,000	10,535
2009	145,000	3,533
	<u>\$ 675,000</u>	<u>\$ 85,117</u>

**B. Road Equipment**

On September 7, 1999, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$330,000, at 4.0% interest for a period of 5 years, with interest and principal paid monthly. The principal amount outstanding as of June 30, 2004, was \$18,015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 18,015	\$ 94
	<u>\$ 18,015</u>	<u>\$ 94</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. Fire Project**

On November 29, 2000, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of fire equipment, land, and the construction of a three bay fire station. The principal was \$1,100,000 at 4.25% interest for a period of 10 years with interest and principal paid monthly. The principal balance as of June 30, 2004, was \$761,219.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 18,015	\$ 94
	<u>\$ 18,015</u>	<u>\$ 94</u>

**D. Dump Truck**

On April 26, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a 2002 International tandem dump truck. The principal was \$56,000 at 3.25 % interest for a period of 3 years, with interest and principal paid monthly. The principal amount outstanding as of June 30, 2004, was \$17,664. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2005	\$ 104,690	\$ 35,303
2006	109,499	30,016
2007	114,529	24,486
2008	119,791	18,702
2009	125,294	12,652
2010	131,050	6,324
2011	56,366	699
	<u>\$ 761,219</u>	<u>\$ 128,182</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**E. Road Graders**

On December 5, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of four Volvo Road Graders. The principal was \$400,000 at a 4.0 percent interest for a period of four years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004 was \$250,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 80,000	\$ 7,637
2006	85,000	4,744
2007	85,000	1,748
	<u>\$ 250,000</u>	<u>\$ 14,129</u>

**F. Sheriff's Vehicles**

On September 19, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 20 police cruisers for the sheriff's department. The principal was \$428,920 at 2.43 percent interest for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$220,190. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 108,620	\$ 6,219
2006	111,570	2,094
	<u>\$ 220,190</u>	<u>\$ 8,313</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Jail Roof and Computer Equipment**

On June 24, 2003, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the repairs to the jail roof and the purchase of computer and telephone equipment. The principal was \$160,000 at 2.05 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$129,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 31,000	\$ 3,289
2006	32,000	2,405
2007	33,000	1,486
2008	33,000	550
	<u>\$ 129,000</u>	<u>\$ 7,730</u>

**H. Road Improvements**

On January 13, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$4,500,000 at 3.380 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$4,500,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 386,610	\$ 175,480
2006	399,484	159,781
2007	412,787	143,257
2008	426,533	117,381
2009	440,736	108,360
2010-2014	2,433,850	254,376
	<u>\$ 4,500,000</u>	<u>\$ 958,635</u>



**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**I. Road Improvements**

On March 26, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$500,000 at 3.15 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2005	\$ 43,335	\$ 18,966
2006	44,696	17,328
2007	46,099	15,605
2008	47,546	13,849
2009	49,039	11,975
2010-2014	269,285	30,134
	<u>\$ 500,000</u>	<u>\$ 107,857</u>

**J. Fire Tower**

On October 22, 2003, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for Fire Training Tower. The principal was \$499,999 at 3.460 percent interest for a period of years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$406,516. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2005	\$ 96,633	\$ 15,540
2006	99,890	11,409
2007	103,256	7,110
2008	106,737	2,667
	<u>\$ 406,516</u>	<u>\$ 36,726</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**K. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 790,000	\$	\$ 115,000	\$ 675,000	\$ 125,000
General Obligation Public Purpose Notes	240,084		240,084		
KACO Financing Obligations	1,797,458	5,499,999	494,854	6,802,603	886,567
Governmental Activities Long-term Liabilities	<u>\$ 2,827,542</u>	<u>\$ 5,499,999</u>	<u>\$ 849,938</u>	<u>\$ 7,477,603</u>	<u>\$ 1,011,567</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$168,029 in interest on financing obligations and \$61,632 in interest on bonds and notes.

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Deferred Compensation**

On February 24, 2000, the Pulaski County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

**Note 10. Insurance**

For the fiscal year ended June 30, 2004, Pulaski County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Estimated Infrastructure Historical Cost**

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

**Note 12. Subsequent Events**

A. On January 20, 2005, Pulaski County Fiscal Court entered into a \$160,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for the renovation of the Detention Center. Terms of the agreement stipulate a three-year repayment schedule, with a 2.64% interest rate ending on July 20, 2008.

B. On March 2, 2005, Pulaski County Fiscal Court entered into a \$108,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a grader. Terms of the agreement stipulate a four-year repayment schedule, with a 4.08% interest rate ending on July 20, 2009.

C. On March 2, 2005, Pulaski County Fiscal Court entered into a \$257,780 lease agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of hazardous material equipment. Terms of the agreement stipulate a one-year repayment schedule, with 4.08% interest rate ending on March 2, 2006.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 13. Prior Period Adjustments & Changes in Accounting Principles**

The beginning net assets balance for governmental activities has been changed due to errors in the previous year related to infrastructure calculations, assets omitted in error, and improper calculation of depreciation for buildings. The net effect of these errors is a decrease of \$190,864,873 in net assets for governmental activities. The specific changes for capital assets have been reflected in Note 5 and are summarized in the table below:

Asset Category	FY 2003	FY 2004	Difference	Net Effect on Net Assets
Infrastructure	\$ 700,295,659	\$ 164,004,554	\$ (536,291,105)	
Accumulated Depreciation	450,444,162	107,067,502	<u>343,376,660</u>	(192,914,445)
Vehicles & Equipment	8,036,885	9,036,885	1,000,000	
Accumulated Depreciation	2,465,446	2,468,482	<u>(3,036)</u>	996,964
Buildings - Accumulated Depreciation	5,296,428	4,243,820	<u>1,052,608</u>	<u>1,052,608</u>
Total net effect on net assets (beginning)				<u><u>\$ (190,864,873)</u></u>

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 4,683,125	\$ 4,928,125	\$ 5,016,601	\$ 88,476
In Lieu Tax Payments	214,000	214,000	240,151	26,151
Excess Fees	435,000	725,000	728,053	3,053
Licenses and Permits	146,500	146,500	147,719	1,219
Intergovernmental Revenue	561,005	561,005	405,008	(155,997)
Charges for Services	109,500	190,500	182,575	(7,925)
Miscellaneous	99,000	99,000	62,082	(36,918)
Interest	75,000	75,000	8,035	(66,965)
Total Revenues	<u>6,323,130</u>	<u>6,939,130</u>	<u>6,790,224</u>	<u>(148,906)</u>
<b>EXPENDITURES</b>				
General Government	2,116,718	2,435,150	2,332,951	102,199
Protection to Persons and Property	859,827	915,072	881,087	33,985
General Health and Sanitation	303,120	315,186	279,464	35,722
Recreation and Culture	251,780	276,135	190,390	85,745
Debt Service	3,301,133	3,301,133	253,618	3,047,515
Capital Projects	50,000	56,700	58,774	(2,074)
Administration	2,631,952	2,831,154	2,688,563	142,591
Total Expenditures	<u>9,514,530</u>	<u>10,130,530</u>	<u>6,684,847</u>	<u>3,445,683</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,191,400)</u>	<u>(3,191,400)</u>	<u>105,377</u>	<u>3,296,777</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	3,006,400	3,006,400		(3,006,400)
Transfers from Other Funds			588,000	588,000
Transfers to Other Funds	<u>(115,000)</u>	<u>(115,000)</u>	<u>(588,100)</u>	<u>(473,100)</u>
Total Other Financing Sources (Uses)	<u>2,891,400</u>	<u>2,891,400</u>	<u>(100)</u>	<u>(2,891,500)</u>
Net Changes in Fund Balances	(300,000)	(300,000)	105,277	405,277
Fund Balances - Beginning (Restated)	<u>300,000</u>	<u>300,000</u>	<u>202,231</u>	<u>(97,769)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 307,508</u>	<u>\$ 307,508</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts,</b>	<b>Final Budget</b>
			<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>REVENUES</b>				
Tax	\$ 1,162,395	\$ 1,230,395	\$ 1,231,878	\$ 1,483
In Lieu Tax Payments	5,000	5,000	33,386	28,386
Intergovernmental Revenue	1,533,300	2,882,300	2,796,347	(85,953)
Miscellaneous	45,000	45,000	63,200	18,200
Interest	38,000	38,000	9,645	(28,355)
Total Revenues	<u>2,783,695</u>	<u>4,200,695</u>	<u>4,134,456</u>	<u>(66,239)</u>
<b>EXPENDITURES</b>				
Roads	2,853,965	4,147,410	3,823,249	324,161
Capital Projects	150,730	150,730	652,287	(501,557)
Debt Service	100,000	835,980	293,555	542,425
Administration	2,500	181,075	16,693	164,382
Total Expenditures	<u>3,107,195</u>	<u>5,315,195</u>	<u>4,785,784</u>	<u>529,411</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(323,500)</u>	<u>(1,114,500)</u>	<u>(651,328)</u>	<u>463,172</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	148,500	895,500	5,000,000	4,104,500
Transfers in From Other Funds	115,000	115,000	75,000	(40,000)
Total Other Financing Sources (Uses)	<u>263,500</u>	<u>1,010,500</u>	<u>5,075,000</u>	<u>4,064,500</u>
Net Changes in Fund Balances	(60,000)	(104,000)	4,423,672	4,527,672
Fund Balances - Beginning (Restated)	<u>60,000</u>	<u>104,000</u>	<u>130,461</u>	<u>26,461</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,554,133</u>	<u>\$ 4,554,133</u>

The accompanying notes are an integral part of the financial statements.



**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 547,750	\$ 578,750	\$ 599,270	\$ 20,520
Intergovernmental Revenue	1,075,708	1,203,708	1,350,693	146,985
Charges for Services	77,800	77,800	53,296	(24,504)
Miscellaneous	130,000	148,000	163,565	15,565
Interest	3,000	3,000	2,639	(361)
Total Revenues	<u>1,834,258</u>	<u>2,011,258</u>	<u>2,169,463</u>	<u>158,205</u>
<b>EXPENDITURES</b>				
General Government			12,726	(12,726)
Protection to Persons and Property	1,326,115	1,531,895	1,432,017	99,878
Other Transportation Facilities and Services			1,115	(1,115)
Debt Service	183,393	51,810	35,766	16,044
Capital Projects		88,960	114,301	(25,341)
Administration	374,750	388,700	393,491	(4,791)
Total Expenditures	<u>1,884,258</u>	<u>2,061,365</u>	<u>1,989,416</u>	<u>71,949</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,107)</u>	<u>180,047</u>	<u>230,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out to Other Funds		(150,893)	(150,893)	
Transfers From Other Funds			5,000	5,000
Total Other Financing Sources (Uses)		<u>(150,893)</u>	<u>(145,893)</u>	<u>5,000</u>
Net Changes in Fund Balances	(50,000)	(201,000)	34,154	235,154
Fund Balances - Beginning (Restated)	<u>50,000</u>	<u>201,000</u>	<u>361,527</u>	<u>160,527</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 395,681</u>	<u>\$ 395,681</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>FIRE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,500,000	\$ 1,650,000	\$ 1,890,391	\$ 240,391
Intergovernmental Revenue	11,000	11,000	24,697	13,697
Miscellaneous Revenue	1,000	1,000	13,286	12,286
Interest	21,000	21,000	13,917	(7,083)
Total Revenues	<u>1,533,000</u>	<u>1,683,000</u>	<u>1,942,291</u>	<u>259,291</u>
<b>EXPENDITURES</b>				
General Government			38,255	(38,255)
Protection to Persons and Property	592,239	592,239	543,134	49,105
Debt Service	141,530	141,530	246,984	(105,454)
Capital Projects	976,000	976,000	952,879	23,121
Administration	223,231	523,231	97,225	426,006
Total Expenditures	<u>1,933,000</u>	<u>2,233,000</u>	<u>1,878,477</u>	<u>354,523</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(550,000)</u>	<u>63,814</u>	<u>613,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money			499,999	499,999
Transfers to Other Funds			(309,740)	(309,740)
Total Other Financing Sources (Uses)			<u>190,259</u>	<u>190,259</u>
Net Changes in Fund Balances	(400,000)	(550,000)	254,073	804,073
Fund Balances - Beginning (Restated)	<u>400,000</u>	<u>550,000</u>	<u>565,775</u>	<u>15,775</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 819,848</u>	<u>\$ 819,848</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>INDUSTRIAL DEVELOPMENT FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 774,930	\$ 774,930	\$ 821,252	\$ 46,322
Miscellaneous	500	500	16,101	15,601
Interest	10,000	10,000	16,306	6,306
Total Revenues	785,430	785,430	853,659	68,229
<b>EXPENDITURES</b>				
General Government	294,627	294,627	322,295	(27,668)
Other Transportation Facilities and Services			1,717	(1,717)
Debt Service	485,000	485,000		485,000
Capital Projects	325,000	325,000	832,564	(507,564)
Administration	1,080,803	1,265,803	287,267	978,536
Total Expenditures	2,185,430	2,370,430	1,443,843	926,587
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,400,000)	(1,585,000)	(590,184)	994,816
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds			500,000	500,000
Transfers to Other Funds			(1,020,000)	(1,020,000)
Total Other Financing Sources (Uses)			(520,000)	(520,000)
Net Changes in Fund Balances	(1,400,000)	(1,585,000)	(1,110,184)	474,816
Fund Balances - Beginning (Restated)	1,400,000	1,585,000	1,602,906	17,906
Fund Balances - Ending	\$ 0	\$ 0	\$ 492,722	\$ 492,722

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Detention Center Corporation Bond Fund and the Jail Canteen Fund.

The State Local Finance Officer does not require the Detention Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PULASKI COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2004**

**PULASKI COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

	<b>Local Government Economic Assistance Fund</b>	<b>911 Fund</b>	<b>Economic Development Fund</b>	<b>Sheriff's Vehicle Fund</b>	<b>Grant Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 150,094	\$ 102,619	\$ 64,582	\$ 41,251	\$ 25
Notes Receivables			310,405		
Total Assets	<u>\$ 150,094</u>	<u>\$ 102,619</u>	<u>\$ 374,987</u>	<u>\$ 41,251</u>	<u>\$ 25</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$	\$ 25	\$	\$ 87	\$
Grant Expenditures					25
Bond Payments					
Unreserved:					
Special Revenue Funds	<u>150,094</u>	<u>102,594</u>	<u>374,987</u>	<u>41,164</u>	
Total Fund Balances	<u>\$ 150,094</u>	<u>\$ 102,619</u>	<u>\$ 374,987</u>	<u>\$ 41,251</u>	<u>\$ 25</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Hazardous Material Fund</b>	<b>Detention Center Corporation Bond Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 447	\$ 186,166	\$ 545,184
		310,405
<u>\$ 447</u>	<u>\$ 186,166</u>	<u>\$ 855,589</u>
\$	\$	\$ 112
		25
	186,166	186,166
<u>447</u>		<u>669,286</u>
<u>\$ 447</u>	<u>\$ 186,166</u>	<u>\$ 855,589</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**

**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>Local Government Economic Assistance Fund</b>	<b>911 Fund</b>	<b>Economic Development Fund</b>	<b>Sheriff's Vehicle Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 864,333	\$	\$
Intergovernmental	401,432	84,426		37,180
Miscellaneous		1,039	21,933	232,931
Interest	3,247	1,875	1,585	
Total Revenues	<u>404,679</u>	<u>951,673</u>	<u>23,518</u>	<u>270,111</u>
<b>EXPENDITURES</b>				
General Government	9,000			128,914
Protection to Persons and Property	25,000	754,826		
General Health and Sanitation	46,583			
Social Services	91,850			
Roads	187,878			
Debt Service				114,240
Capital Projects			781,269	21,659
Administration	4,950	296,683	17,380	
Total Expenditures	<u>365,261</u>	<u>1,051,509</u>	<u>798,649</u>	<u>264,813</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>39,418</u>	<u>(99,836)</u>	<u>(775,131)</u>	<u>5,298</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds			520,000	
Total Other Financing Sources (Uses)			<u>520,000</u>	
Net Change in Fund Balances	39,418	(99,836)	(255,131)	5,298
Fund Balances - Beginning	110,676	202,455	630,118	35,953
Fund Balances - Ending	<u>\$ 150,094</u>	<u>\$ 102,619</u>	<u>\$ 374,987</u>	<u>\$ 41,251</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Grant Fund</b>	<b>Hazardous Material Fund</b>	<b>Detention Center Corporation Bond Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$
1,455,075	382,756		864,333
			2,360,869
			255,903
		1,149	7,856
1,455,075	382,756	1,149	3,488,961
	53		137,967
			779,826
			46,583
			91,850
			187,878
		150,893	265,133
1,790,836	382,256		2,976,020
			319,013
1,790,836	382,309	150,893	4,804,270
(335,761)	447	(149,744)	(1,315,309)
229,840		150,893	900,733
229,840		150,893	900,733
(105,921)	447	1,149	(414,576)
105,946		185,017	1,270,165
\$ 25	\$ 447	\$ 186,166	\$ 855,589

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2004**

1. The auditor's report expresses an unqualified opinion on the financial statements of Pulaski County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Pulaski County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Pulaski County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Pulaski County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant – Valley Oak Industrial Park Infrastructure Project, Small Business Administration – Hal Rogers Fire Center Project, and United States Department of Homeland Security.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pulaski County was not determined to be a low-risk auditee.

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**REPORTABLE CONDITIONS**

None noted.

THIS PAGE LEFT BLANK INTENTIONALLY



**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**



**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through

Grantor's Number

Expenditures

Cash Programs :

U.S. Department of Housing And  
Urban Development

Passed-Through State Department  
 For Local Government:

Community Development Block  
 Grants -

Valley Oak Industrial Park  
 Infrastructure Project  
 (CFDA # 14.228)

00-018      \$      241,397

Southeastern Water Expansion  
 Project  
 (CFDA #14.228)

99-030      15,000

Total U.S. Department Of Housing  
 And Urban Development

\$      256,397

U.S. Small Business Administration

Direct Program:

Hal Rogers Fire Training Center Project  
 (CFDA #59.000)

SBAHQ-01-I-0051      \$      542,872

Total U. S. Department of Justice

\$      542,872

U. S. Federal Emergency Management Agency

Passed-Through State Department  
 of Military Affairs:

Disaster and Emergency  
 Assistance Grant-  
 Coordinator Salary  
 (CFDA #97.042)

N/A      \$      5,866

Total U. S. Federal Emergency Management Agency

\$      5,866

**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of The Treasury</u>		
Direct Program:		
Bureau Of Alcohol, Tobacco, And Firearms - Gang Resistance Education And Training Program (CFDA #21.053)	ACT020182	\$ 20,718
Total U.S. Department Of The Treasury		<u>\$ 20,718</u>
<u>U.S. Department of Homeland Security</u>		
Direct Program:		
WMD Part 1	M-0313-8124	\$ 33,164
WMD Part 2	M-0325-4738	17,503
Passed-Through State Department of Military Affairs:		
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-03140340	19,880
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-0231-2992	190,747
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-03055032	10,574
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-03019411	54
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-03255125	109,866

**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
State Domestic Preparedness Equipment		
Support Program		
(CFDA #97.004)	M-03255396	\$ 11,042
Total U.S. Department Of Transportation		<u>\$ 392,830</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,218,683</u></u>

**PULASKI COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pulaski County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - As required by the Community Development Block Grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title 1 of the Housing and Community Development Block Grant Eligible Activities Policy Statement.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Darrell BeShears, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 12, 2005. Pulaski County prepares its financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of Pulaski County Fiscal Court, management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 12, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell BeShears, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Pulaski County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Pulaski County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County's management. Our responsibility is to express an opinion on Pulaski County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pulaski County's compliance with those requirements.

In our opinion, Pulaski County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Pulaski County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pulaski County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 12, 2005

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**PULASKI COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**

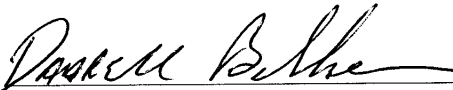


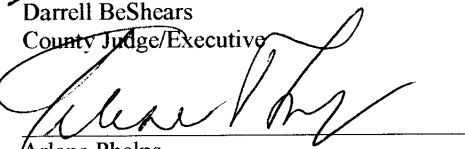


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Darrell BeShears  
County Judge/Executive

  
\_\_\_\_\_  
Arlene Phelps  
County Treasurer